

Message Text

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ACTION ARA-20

INFO OCT-01 IO-14 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03

H-03 AGR-20 TAR-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PA-04 PRS-01

USIA-15 SWF-02 DRC-01 /203 W
----- 110802

P R 202329Z FEB 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 6284

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA 2876

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY TEGUCIGALPA

AMEMBASSY ROME

C O N F I D E N T I A L SAN JOSE 0681

ROME FOR FODAG

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: PROPOSED EXPORT TAX ON BANANAS

REF: (A) STATE 031400; (B) SAN JOSE 1876; (C) SAN JOSE 0300

1. LOCAL PRESS HAS REPORTED PLAN BY BANANA
PRODUCERS TO "FORCE UP" WORLD MARKET PRICES OF
BANANAS, BUT OF COURSE ZSERE IS NOTHING NEW IN THIS
NOTION (SEE REFERENCE B AND REFERENCE C--
LATTER RE. FIGUERES "GRITO DE TRES RIOS" WHICH
CONCERNS COFFEE). LA NACION OF FEBRUARY 20 QUOTED
PANAMA MINISTER OF INDUSTRIES AND
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COMMERCE MANFREDO ON PRODUCER AGREEMENT REACHED

BY PANAMA, COSTA RICA AND HONDURAS. MANFREDO WHO RECENTLY VISITED SAN JOSE, ATTRIBUTED INITIATIVE TO FIGUERES. HE SAID HE WAS OPTIMISTIC THAT ECUADOR AND COLOMBIA WOULD SHORTLY JOIN IN, AND REPEATED FAMILIAR COMPLAINT THAT OTHER COMMODITY PRICES--SHRIMP, COFFEE, SUGAR AND MEAT--HAVE RISEN WHILE BANANAS HAVE NOT. MANFREDO SAID THE "AMOUNT AND MOMENT" OF THE INCREASE (HE DID NOT USE THE WORD "TAX") HAD NOT BEEN DECIDED. HE ADDED, "THE FOREIGN BANANA COMPANIES ARE NOT GOING TO LIKE THIS MEASURE SINCE IT WILL MAKE THEM WORK HARDER AT SELLING."

2. AFTERNOON DAILY LA HORA OF FEBRUARY 20 REPORTED THAT FIGUERES, TORREJOS, AND LOPEZ HAD AGREED TO PUT THE INCREASE INTO EFFECT "IMMEDIATELY". SAME ITEM SAID ELI BLACK, PRESIDENT OF UNITED BRANDS, WAS IN PANAMA AND HAD DISCUSSED THE INCREASE WITH TORREJOS. LA HORA SAID HE WOULD "MEET WITH FIGUERES TONIGHT... FOR THE SOLE PURPOSE OF DISCUSSING WITH DON PEPE A VIABLE FORMULA UNDER WHICH PRODUCERS OF BANANAS CAN BE COMPENSATED INPART FOR THE LOSSES INCURRED BY THE INCREASE (IN PRICES) OF FUEL."

3. COMMENT: WE UNDERSTAND BLACK WENT TO PANAMA FOR THE PURPOSE OF DISCUSSING THE PETROLEUM PRICE INCREASE PROBLEM WITH TORRIJOS. ACCORDING TO A UNITED OFFICIAL HERE, HE MADE A SPUR OF THE MOMENT DECISION TO VISIT COSTA RICA AS WELL BUT THEN CANCELLED.

4. CONCERNING FORMER AMBASSADOR BURROWS PRE-OCCUPATION WITH A POSSIBLE SPECIAL EXPORT TAX ON BANANAS, THIS PROPOSAL IS SIMILAR TO DON PEPE'S RECENT "GRITO DE TRES RIOS/ FOR COFFEE (SEE REFERENCE C) AND IS ALREADY BEING CALLED "GRITO DE GUAPILES" AFTER ONE OF COSTA RICA'S BANANA GROWING AREAS. THE PLAN FOR BANANAS SEEMS EVEN MORE UNWORKABLE THAN THAT FOR COFFEE, SINCE, UNLIKE COFFEE, BANANAS SPOIL.

5. AN EARLIER ATTEMPT FOR PRODUCERS CONTROL OF BANANA PRICES WAS MADE IN SAN JOSE LAST
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MAY (REFERENCE B) BUT DID LITTLE MORE THAN REVEAL THE DIFFERENCES BETWEEN PRODUCING COUNTRIES. IN THE PRESENT INSTANCE THE SSAME UNITED OFFICIAL TOLD US THE THINKS ECUADOR IS COOL TO AN AGREEMENT AND THAT COLOMBIA WILL PROBABLY REJECT JOINING OUTRIGHT SINCE IT IS ATTEMPTING TO BUILD UP ITS PLANTATIONS IN OPEN COMPETITION WITH MORE ESTABLISHED PRODUCER COUNTRIES. (FINANCE MINISTER ALPIZAR REPORTEDLY

IS NOW IN ECUDAR IN AN EFFORT TO WIN THAT COUNTRY OVER.)

6. IN SUM, WHILE WE UNDERSTAND CENTRAL AMERICA
NOW HAS ABOUT 70 PERCENT OF PRODUCTION, THERE IS STILL
SHARP COMPETITION AND EVEN WITH AGREEMENT AMONG ALL
BAMANA PRODUCING COUNTRIES, MANIPULATION OF THE
MARKET WOULD NOT BE EASY. PROBABLY FOR THE GRITO DE
GUAPILES TO HAVE ANY CHANCE OF SUCCESS, THE COOPERATION
AND SUPPORT OF A MAN LIKE ELI BLACK WOULD BE INDISPENSABLE.

7. DEPARTMENT MAY WISH REPEAT REFERENCE A TO
BOGOTA, QUITO AND ROME.
LANE

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